Employee voice in MNCs: Do country of origin effects matter?

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Multinationals, representation and voice

• differing preferences of MNCs from different countries-of-origin over representation and voice arrangements
  - union or non-union representation, or none at all
  - indirect or direct channels of consultative voice

• previous studies focus on MNCs based in a handful of countries (US, Germany, Japan, UK)
  → lack of attention to variation between MNCs based in different European countries

• no large-scale study has examined MNCs from a range of countries within a single host environment

• definitions: two dimensions of employee voice
Main analytical themes

• focus on employer voice preferences (neglected hitherto)
• MNCs impact on employment practices → innovators or adaptors?
  – representation, indirect consultative voice constrained to local adaptation
  – direct consultative voice more open to innovation
• country-of-origin influences (and differences)
• intra-model variation
  - demographic factors (e.g. sector, size, vintage)
  - corporate strategy and structure
  → dampen country-of-origin influence?
The UK: an insightful host environment

- large, internationally open economy with ongoing, substantial flows of inwards and outwards FDI
  - inwards FDI employment 19% → 27% (2000-05)
- ‘liberal market economy’, with institutional arrangements permissive of variation in IR (and voice) practice
- UK typifies two main current trends in employee voice arrangements in Anglophone countries
  - marked decline in union presence
  - rise in direct forms of employee voice
UK employee representation and voice developments

WERS2004 → significant recent change (i.e. since 1998)
• further decline in union representation
• growth in non-union and hybrid arrangements
  → ‘growing heterogeneity of representational forms’
• decline in proportion of workplaces covered by joint consultative committees
• surprising given prospective implementation of UK’s ICE Regulations
• increase in already high proportion of workplaces using direct, 2-way forms of EI
• coverage of MNCs’ workplaces by EWCs
Country-of-origin influences

- US-owned: hostility to union representation; no domestic scope for non-union representation; emphasis on direct voice
- Japanese-owned: representation (either union or non-union); both direct and indirect voice
- German-owned: union-based representation; emphasis on indirect voice
- Nordic-owned: union-based representation; direct & indirect voice
- French-owned: representation (either union or non-union); emphasis on indirect voice
- UK-owned: representation between US & German models; emphasis on direct voice

→ set of propositions
Intra-model variation

- differentiation within ‘national business systems’ e.g. US
- demographics (sector, size, vintage)
- corporate strategy
  - form of growth
  - diversification
  - management style
- empirical support for IMV from studies in UK
- counterfactual to country of origin proposition(s)
The MNCs’ employment practices survey

- 2006 survey in UK operations of 302 MNCs
- covered MNCs with 500+ employees worldwide
  - overseas-owned: 100+ employees in the UK
  - UK-owned: 100+ employees in at least one other country
- 2-stage study
  - telephone screening: N=903, 54% response rate
  - main survey: N=302, 33% response rate
- face-to-face, structured interview with senior HR executive
- employee representation and voice one of four substantive areas in focus
- data on demographic variables, corporate strategy & structure
Research design: strengths

- survey based on comprehensive listing of MNCs population
- larger sample size than most previous MNC surveys
- allows comparisons of practices between MNCs based in eight different countries / areas of the world
  - US, Japan, RoW
  - five within Europe: FR, DE, UK, Nordic, RoE
- parallel surveys in Canada, Ireland, Spain, Mexico bring potential for comparative analysis …
Patterns of employee representation

- representation arrangements for LOG (%)
  - union only 37
  - non-union only 24
  - hybrid (union & non-union) 11
  - no representation 29

- discernible trend away from union recognition
  - new sites: lower incidence of union recognition
  - little change in recognition status following acquisition
  - non-union structures: 51% established in previous 3 years
  - MNCs as innovators → linked to impact of UK’s ICE Regulations?
Direct and indirect consultative voice

Direct voice (two-way mechanisms) (%)
- meetings of senior mgt with whole workforce 76
- meetings with line mgt (briefing groups) 96
- problem-solving (cont. improvement) groups 77
- any direct voice 99

Indirect voice (representative based) (%)
- at UK (company) level 73
- at lower level (site, groups of sites) 77
- any indirect voice 82

Both direct and indirect voice 81
Direct and indirect consultative voice [2]

• mgt’s relative emphasis on direct / indirect voice channels (%)
  - emphasis on direct 41
  - equivalent emphasis on both 42
  - emphasis on indirect 16

• ‘dual track’, equivalent emphasis on direct and indirect channels is as widespread as emphasis on direct only

Substantial recent change

• 38% of MNCs with indirect structures introduced new arrangements in previous 3 years (3/4 covering all sites)

• significant response to ICE_regs → legislatively induced innovation
European Works Councils

- 28% of MNC UK operations covered by an EWC
- 'vertical coverage' of European and national consultative structures in 25%
- but no UK consultative arrangements in 1 in 10 cases covered by EWC
Regression analysis – method

- logistic regression
  - pattern of employee representation: multinomial
  - mgt policy towards consultative voice: ordered

- two-step process
  - country-of-origin variables only
  - add demographic and corporate strategy variables
Patterns of representation – regression results

• country of origin
  – US reference
  – France: > union-only, > non-union only
  – Germany: > union-only
  – Japan, Nordic: no significant difference
  – UK: > union only, > hybrid

• sector
  – service reference
  – manufacturing: > union only, > non-union only, > hybrid

• corporate strategy
  - few significant differences
  - acquisition: > hybrid
Policy on voice channels – regression results

• country of origin
  - US reference
  - Japan, RoE: > indirect
  - no other significant influences

• sector
  - service reference
  - manufacturing: > indirect

• corporate strategy
  - acquisition: > direct
  - diversified: > indirect
Regression results – punch lines

• country-of-origin influences mixed: some as expected, others not
• less marked for mgt policy towards voice than employee representation
• inclusion of demographic and corporate strategy variables significant, improved explanatory power and proportion of variation explained
• sector and method of growth significant influences
• support for intra-model variation; but doesn’t eliminate, country-of-origin influences
The ‘so what?’ question

• country-of-origin influences not as sharp as anticipated, although distinct intra-European differences

• intra-model variation → ‘converging divergences’; but doesn’t ‘wash out’ country-of-origin influences

• employer choice: employee representation and indirect voice not necessarily constrained to adapt
   → significant recent change in both representation and indirect consultation arrangements, (partly) legislatively induced

• ‘dual track’, equivalent emphasis on direct and indirect channels is as widespread as emphasis on direct only → constraint or choice?

• implications for other Anglo-phone countries
Comparative prospective

UK
• 48% of MNCs recognise trade unions
• US-owned: 39%    UK-owned: 58%
• 35% of MNCs have non-union structures, 5/10 in previous 3 years

Ireland
• 61% of MNCs recognise trade unions
• US-owned: 41%    UK-owned: 80%    Irish-owned: 84%
• 32% of MNCs have non-union structures, 6/10 in previous 3 years

Canada
• 49% of MNCs with union certification
• US-owned: 50%    UK-owned: 53%    Canadian-own: 57%